

Perspectives on the Product Tanker Market

Tim Smith
Copenhagen
28/04/10



- 1. Out of the Mire?**
- 2. Competition for Consumption**
- 3. Spokes in the Hub**
- 4. Proxy Power**
- 5. Forgotten Fleet**



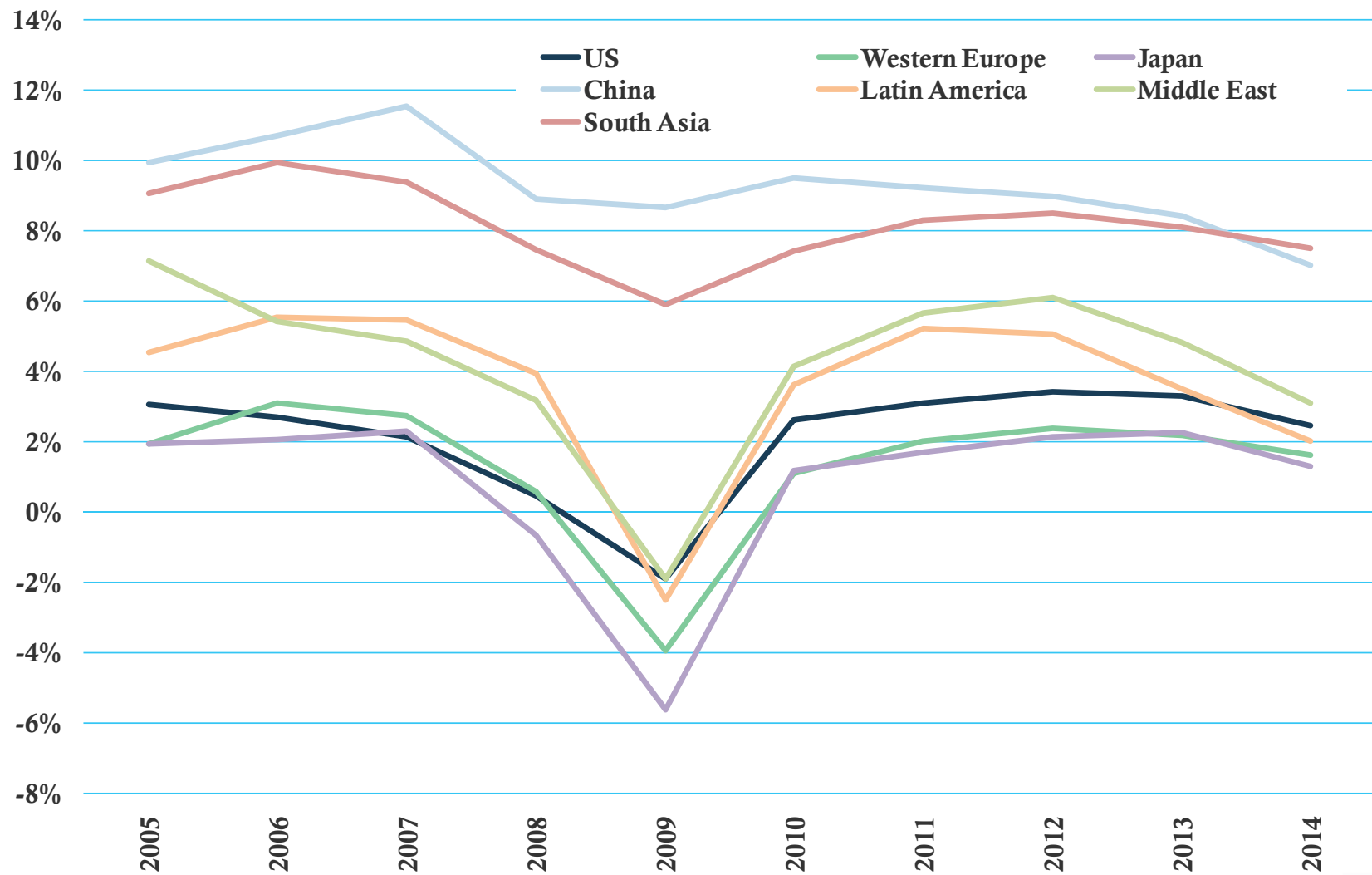
1. Out of the Mire?

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MSI 1. GDP Growth Forecast

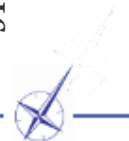
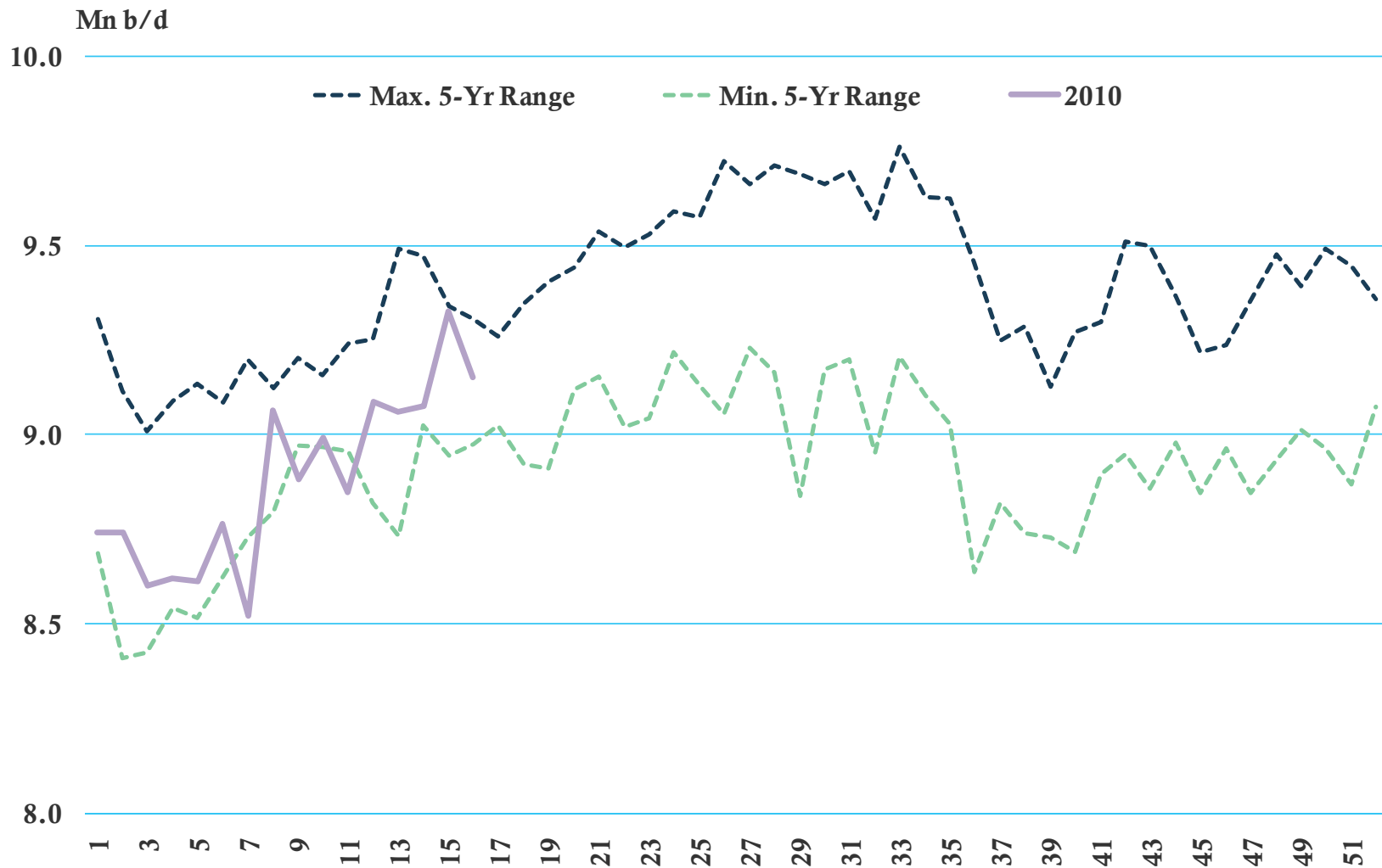
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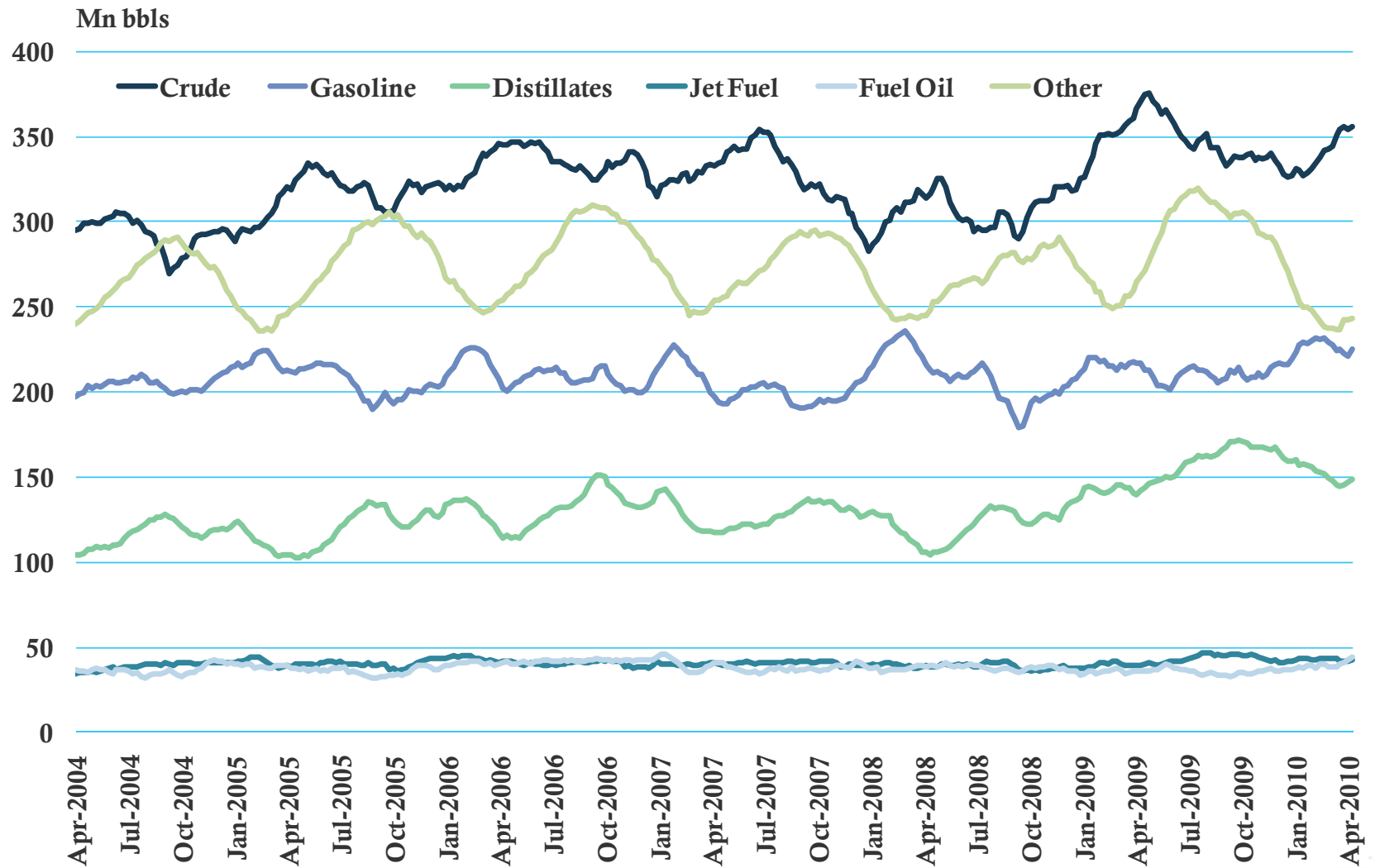
1. US Gasoline Demand

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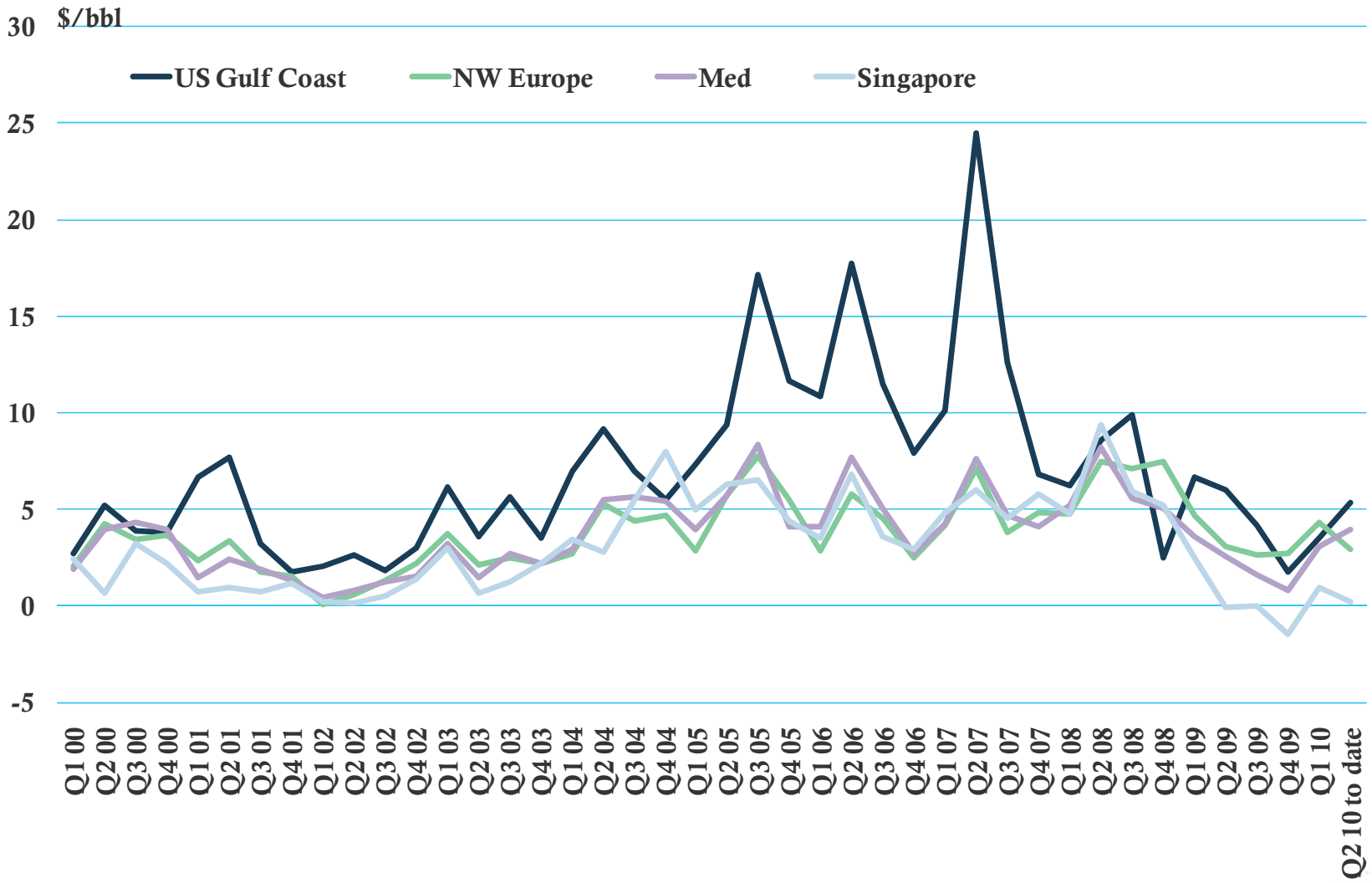
MSI 1. US Stocks

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MSI 1. Refining Margins

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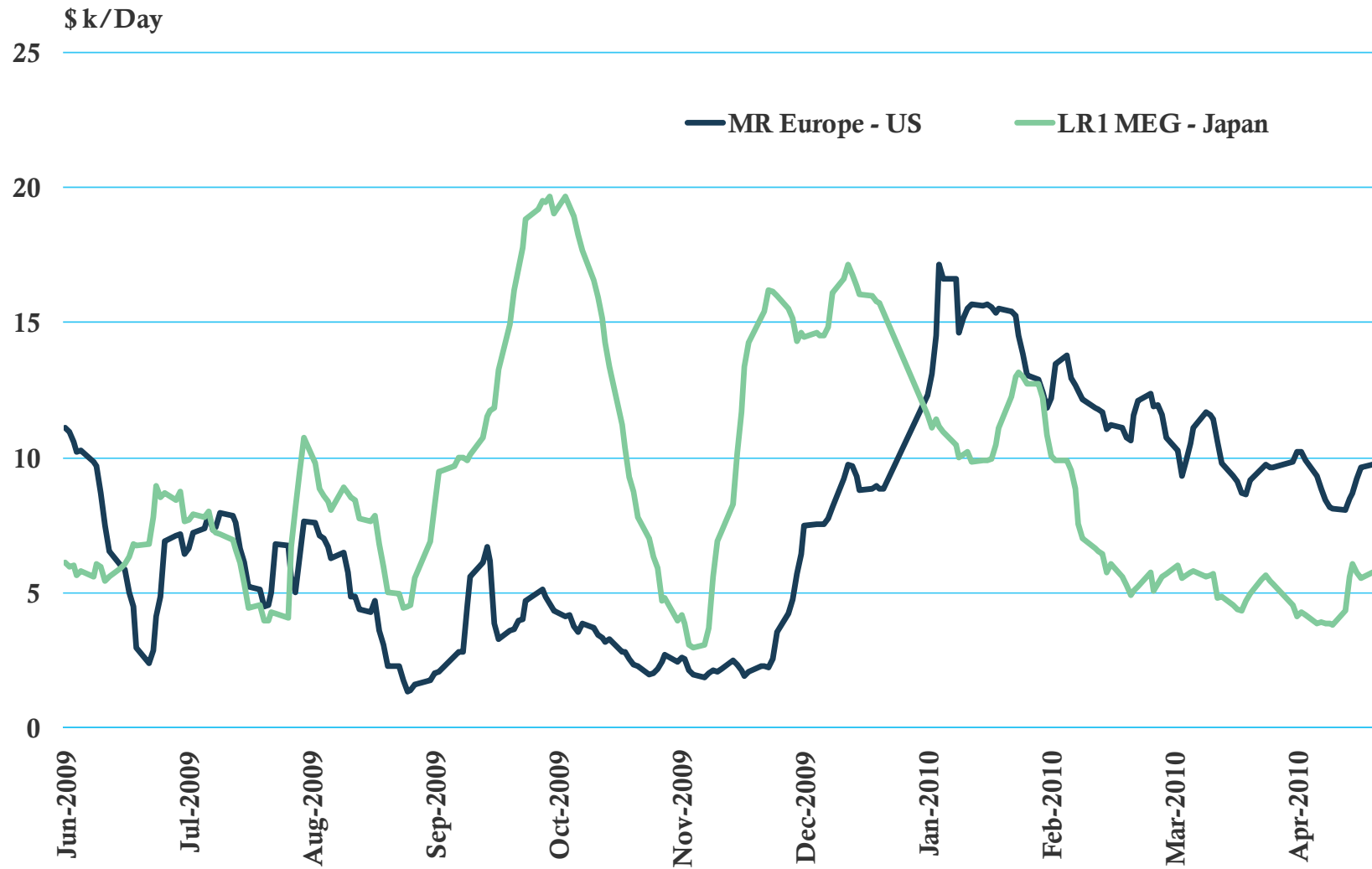
1. Oil Demand Forecast

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MSI 1. Spot Market

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2. Competition for Consumption

MSI 2. Long-term View

- Over the medium-to-long term (5-10 years), the major forecasting agencies of the IEA, EIA and OPEC are likely to be (much) too bearish on global oil demand



MSI 2. Long-term View

- Long-term projections assume that *per capita* oil demand growth in the world *excluding* the OECD and FSU (rest-of-world, RoW) will slow from 2.5% (1971 and 2008), to around 0.6% p.a. out to 2030
- Put another way, each person in RoW who consumed 0.4 litres of oil per day (l/d) in 1971, and 1.1 l/d by 2008, is only expected to see consumption increase to 1.2 l/d by 2030
- By substituting the lower projections of the IEA *et al.* with average *historical* per capita growth rates in RoW, per capita consumption increases to 1.8 l/d by 2030
- This may be long-term, but linear *pro rata* of this addition across the forecast horizon of this report would still suggest that IEA forecasts for global oil demand are some 4-5 Mn b/d too low even by 2014!



MSI 2. Competition

- The business of moving clean products by sea clearly faces risks from flatter than expected oil demand growth. It also faces direct competition:
 - Substitution by alternate fuels, acting as the ‘marginal barrel’
 - Rapid refinery expansion in high demand growth markets



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MSI Ethanol – A Direct Competitor

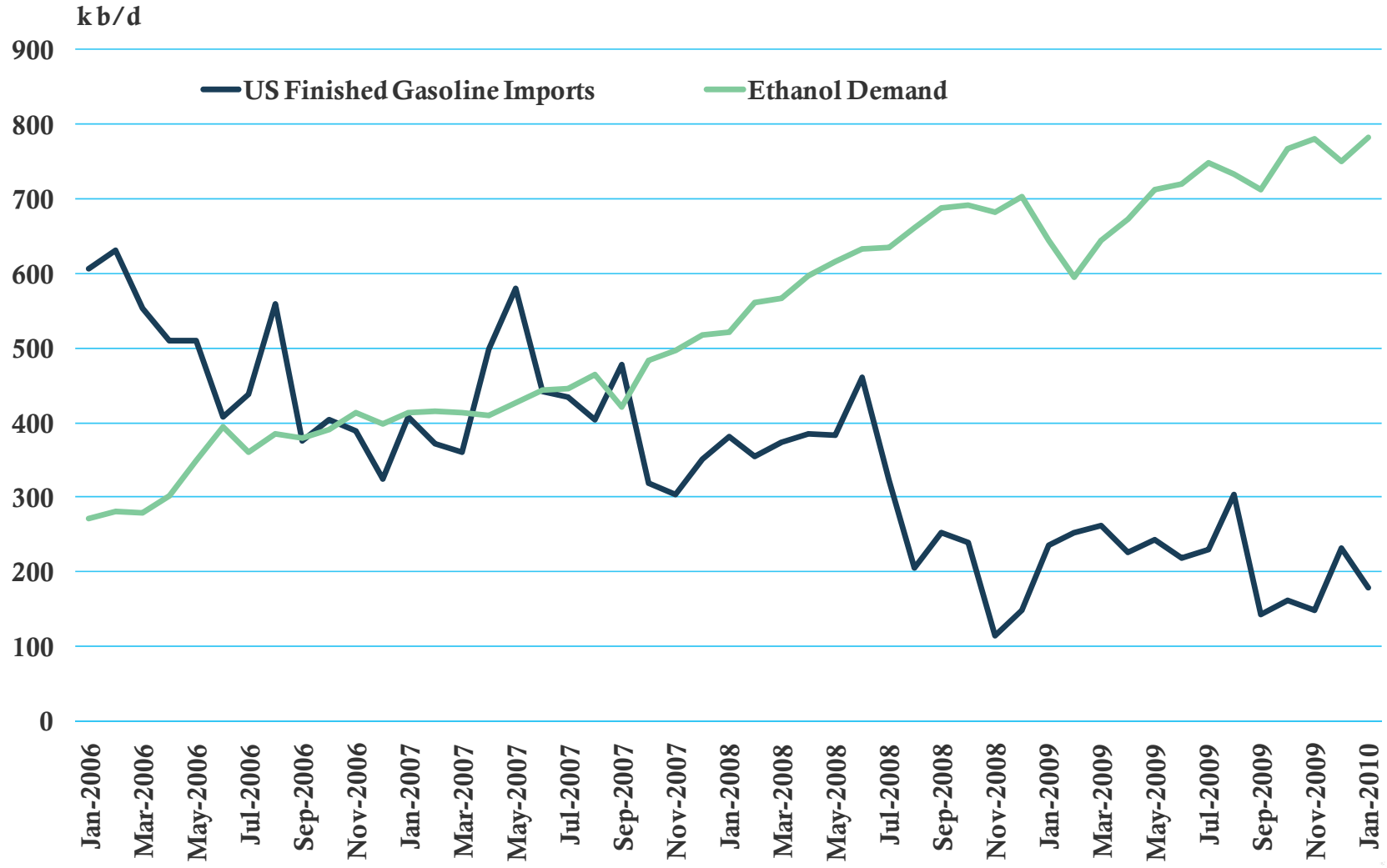
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- US ethanol consumption and production continues to grow strongly
- January 2010 US fuel ethanol consumption was 784 k b/d, up 22% yoy. Production rose by 29% yoy
- Ethanol use represents a direct threat to US gasoline imports



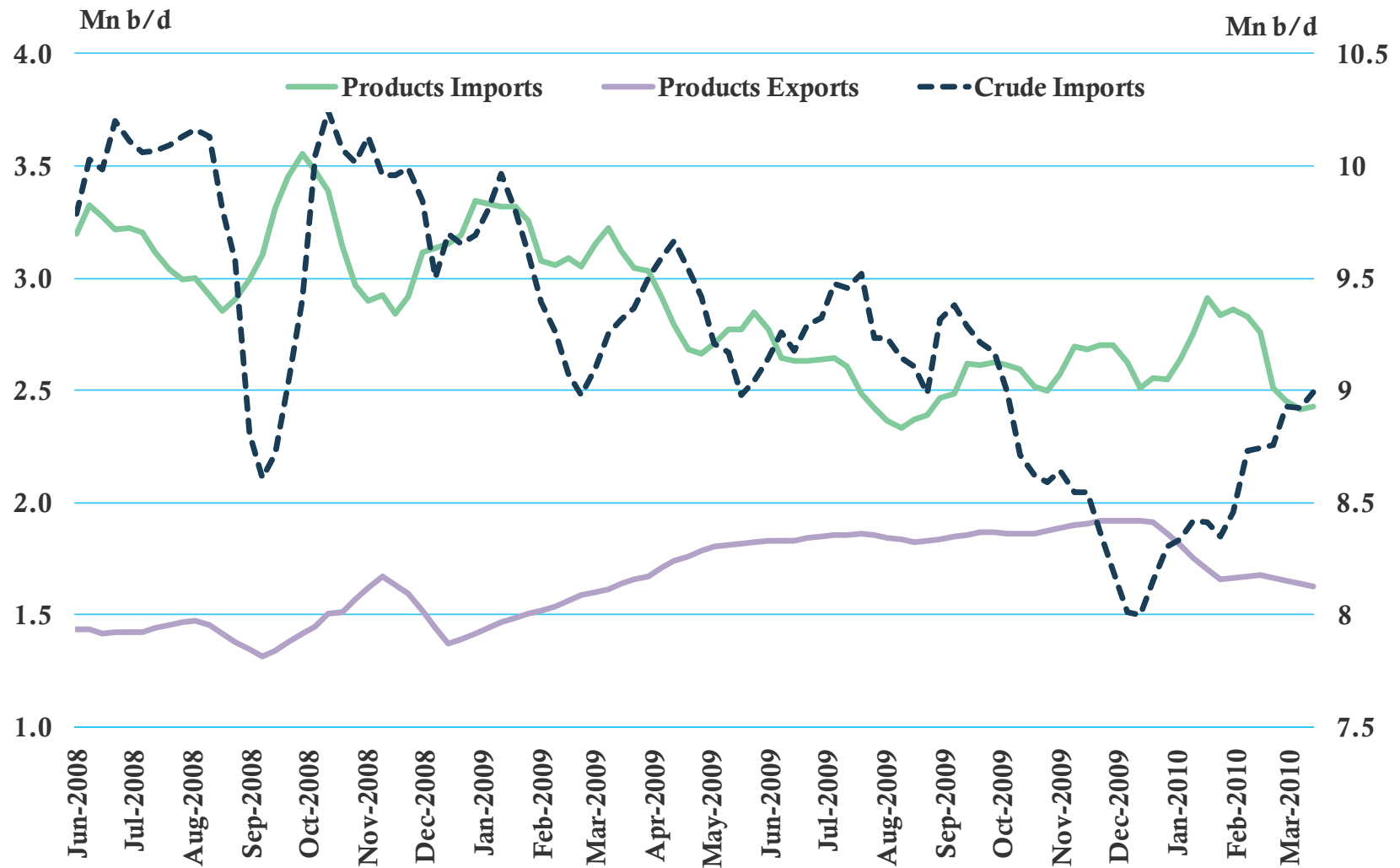
MSI 2. Ethanol vs. Imports

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MSI 2. US Refining

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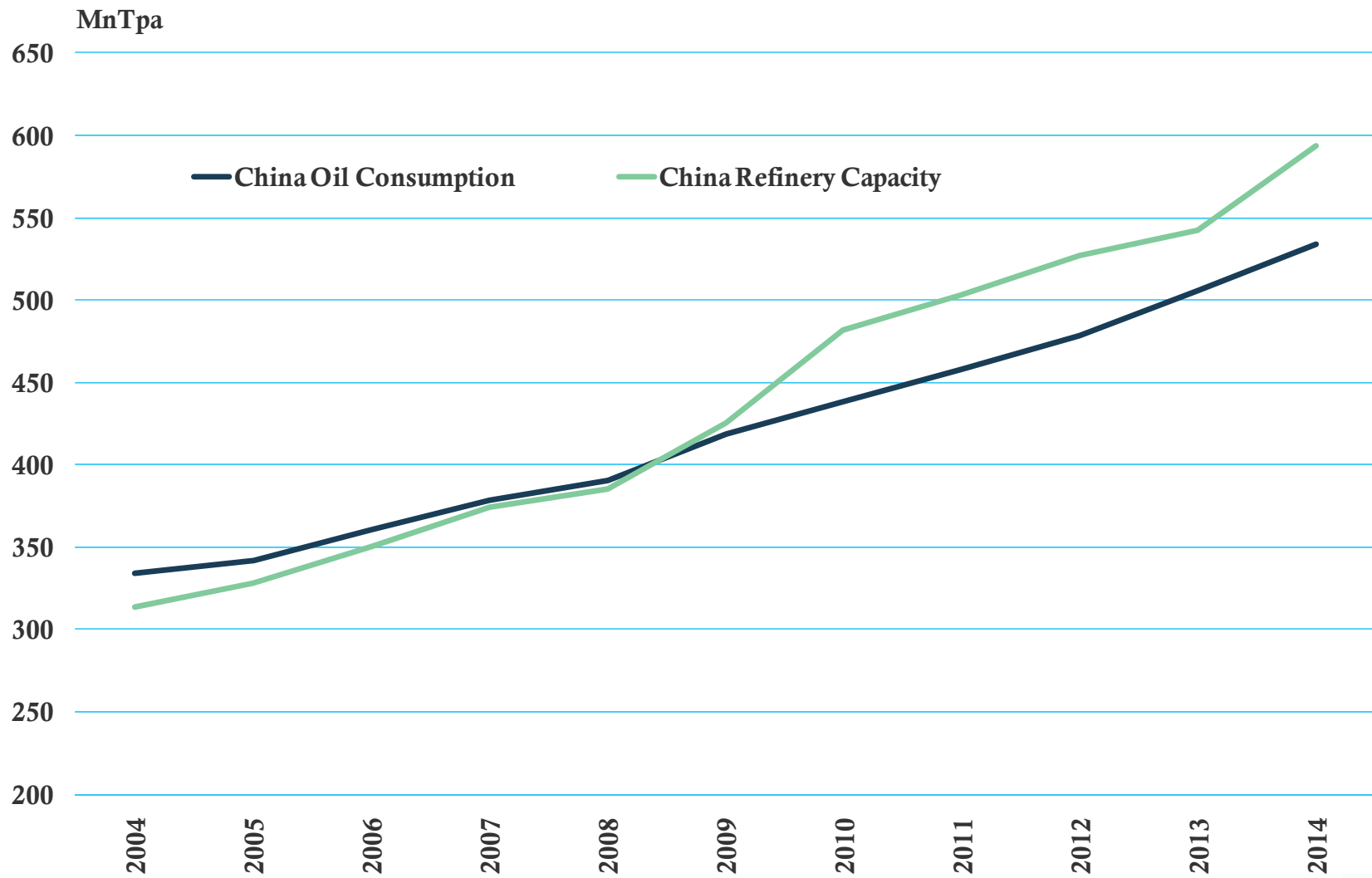
MSI 2. China

- Unlike crude carriers, products tankers are not benefiting from China's strong consumption growth
- China's implied consumption growth was around 17% yoy in Q1 10 (Q1 09 was very weak though)
- Nonetheless, in January China's reported diesel imports were flat yoy whilst gasoline imports were negligible
- In the space of two years China has moved from a shortage to a surplus of refinery capacity



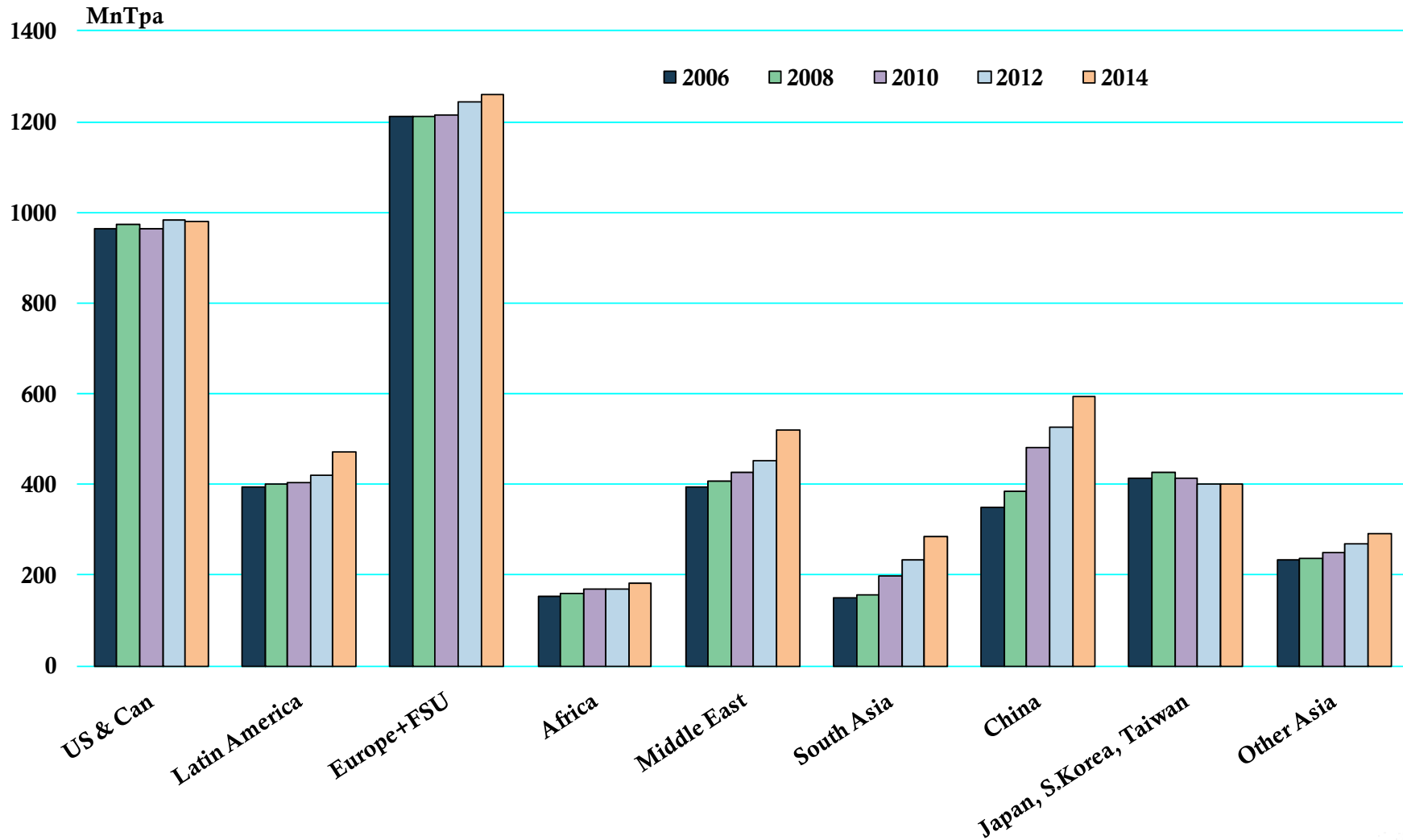
MSI 2. China's Switch

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MSI 2. Refinery Capacity Forecast

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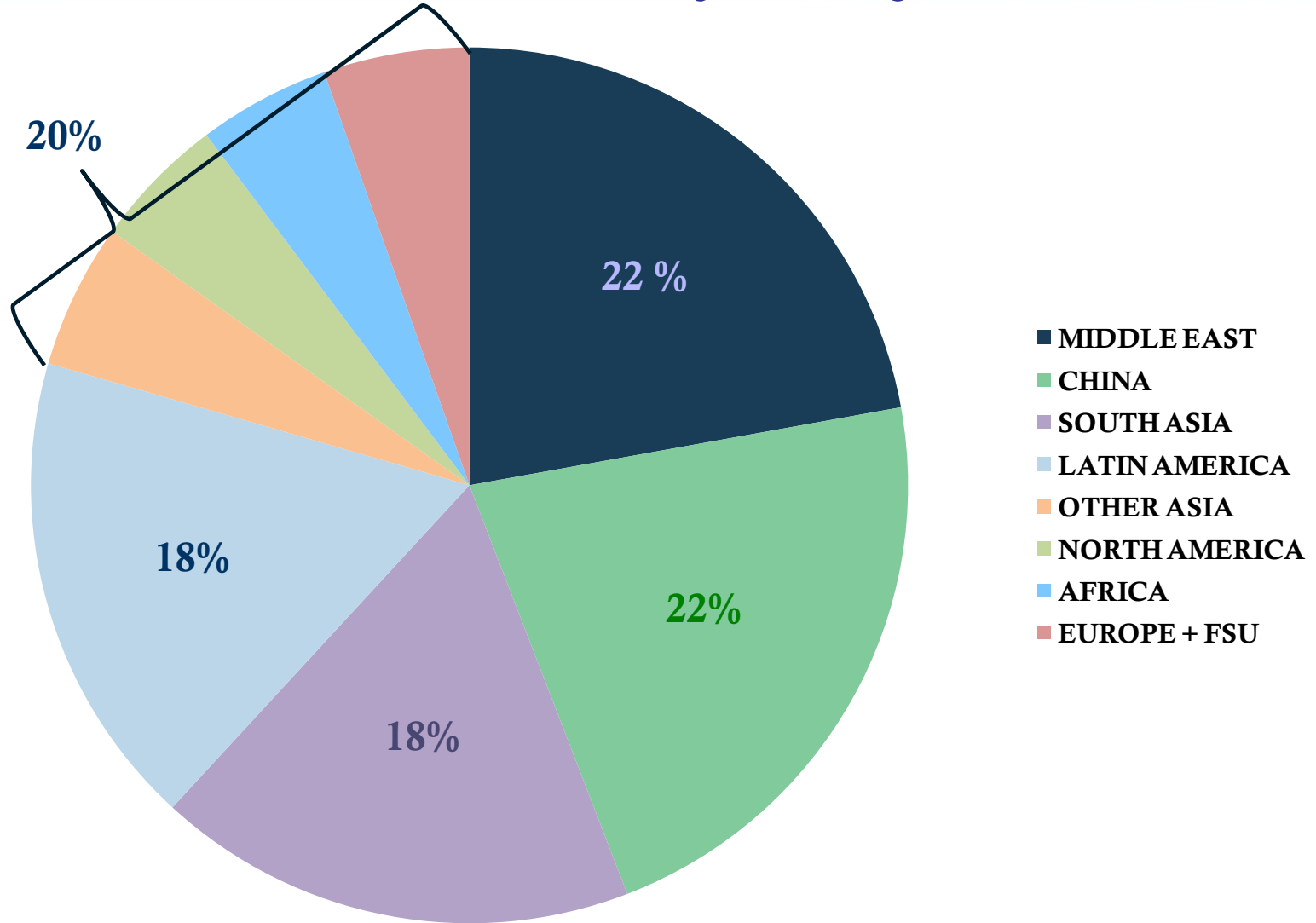
3. Spokes in the Hub

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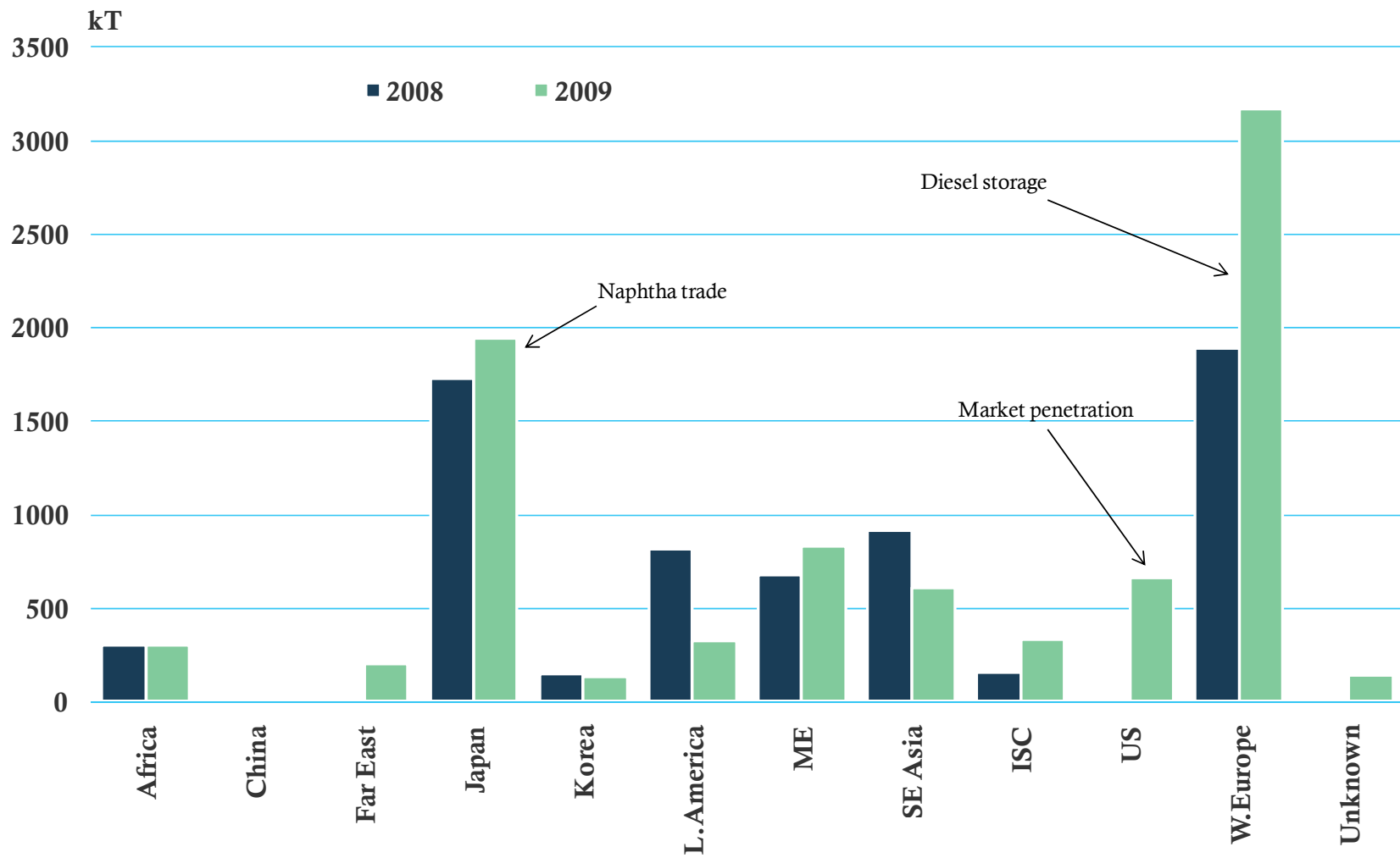
MSI 3. New Refinery Projects

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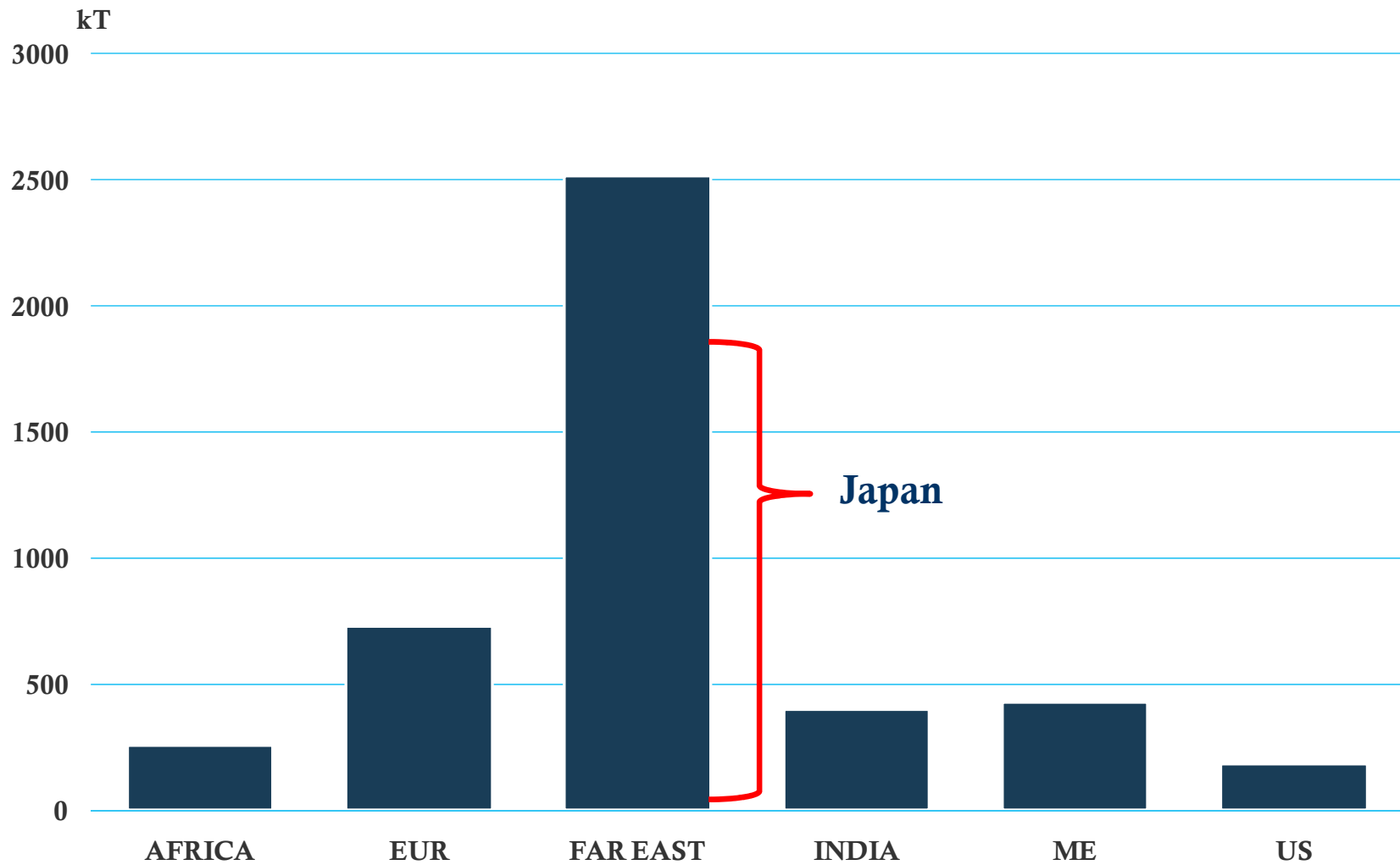
MSI 3. The Arrival of Jamnagar II

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3. In 2010 most exports have gone East...

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MSI 3. The Hub

- From a global, strategic perspective, we are seeing an export refining hub form, but it is mistaken to think it is just a corner of India
- This geographical entity will, in the second half of this decade, have between 1.5 Mn b/d and 3 Mn b/d of *new* export refinery capacity onstream
- Throughput of just the planned Saudi refineries and Jamnagar II will be nearly 2 Mn b/d when complete, or about 100 MnTpa
- Were this to be shipped over the course of a year to, for example, NW Europe, it would require about 14.5 Mn Dwt p.a. of dedicated products tonnage
- That is 4% of the *total* (including crude carriers) available tanker fleet (average 2009). It is equivalent to a huge 35% of the products tanker fleet above 60 k Dwt



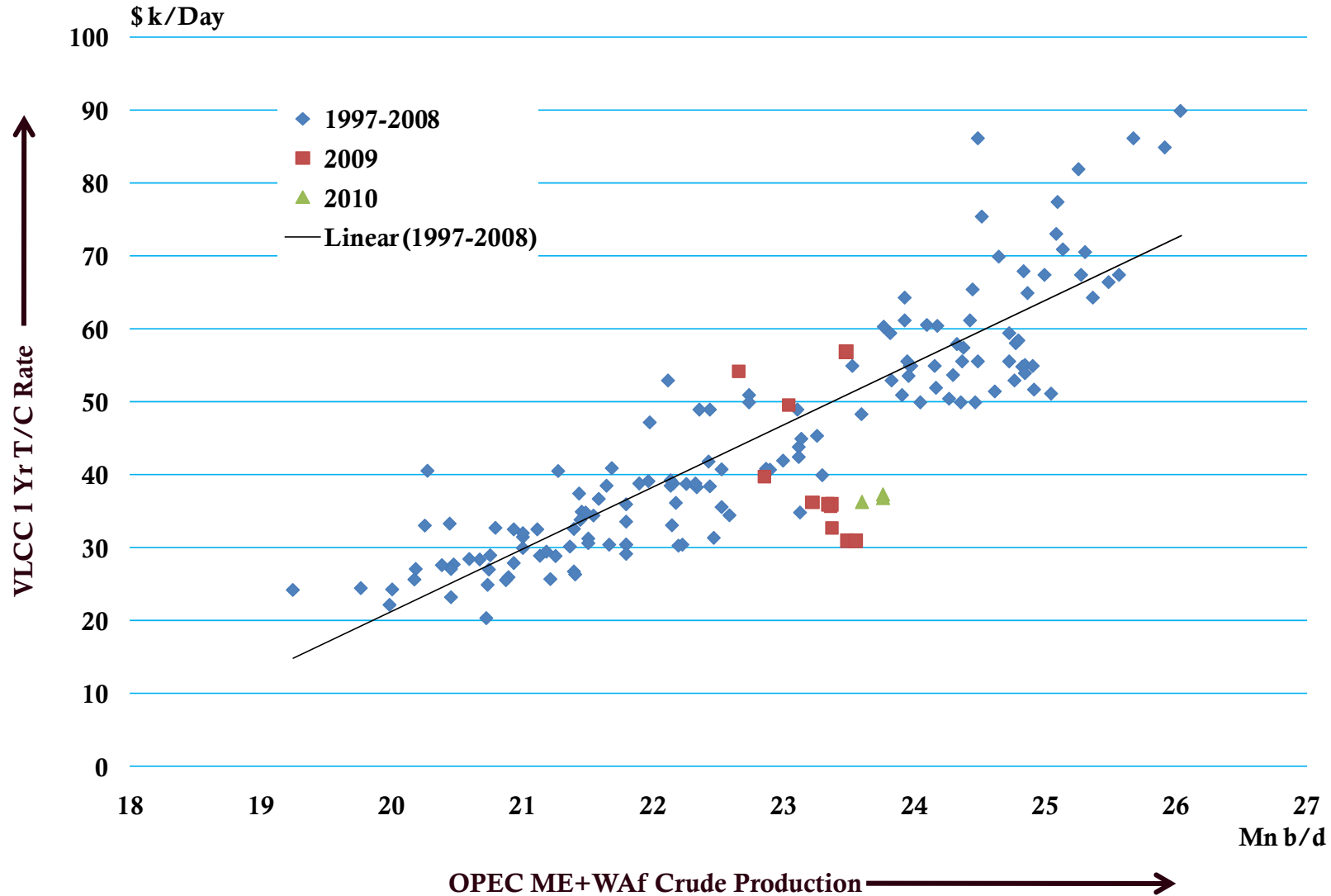
4. Proxy Power

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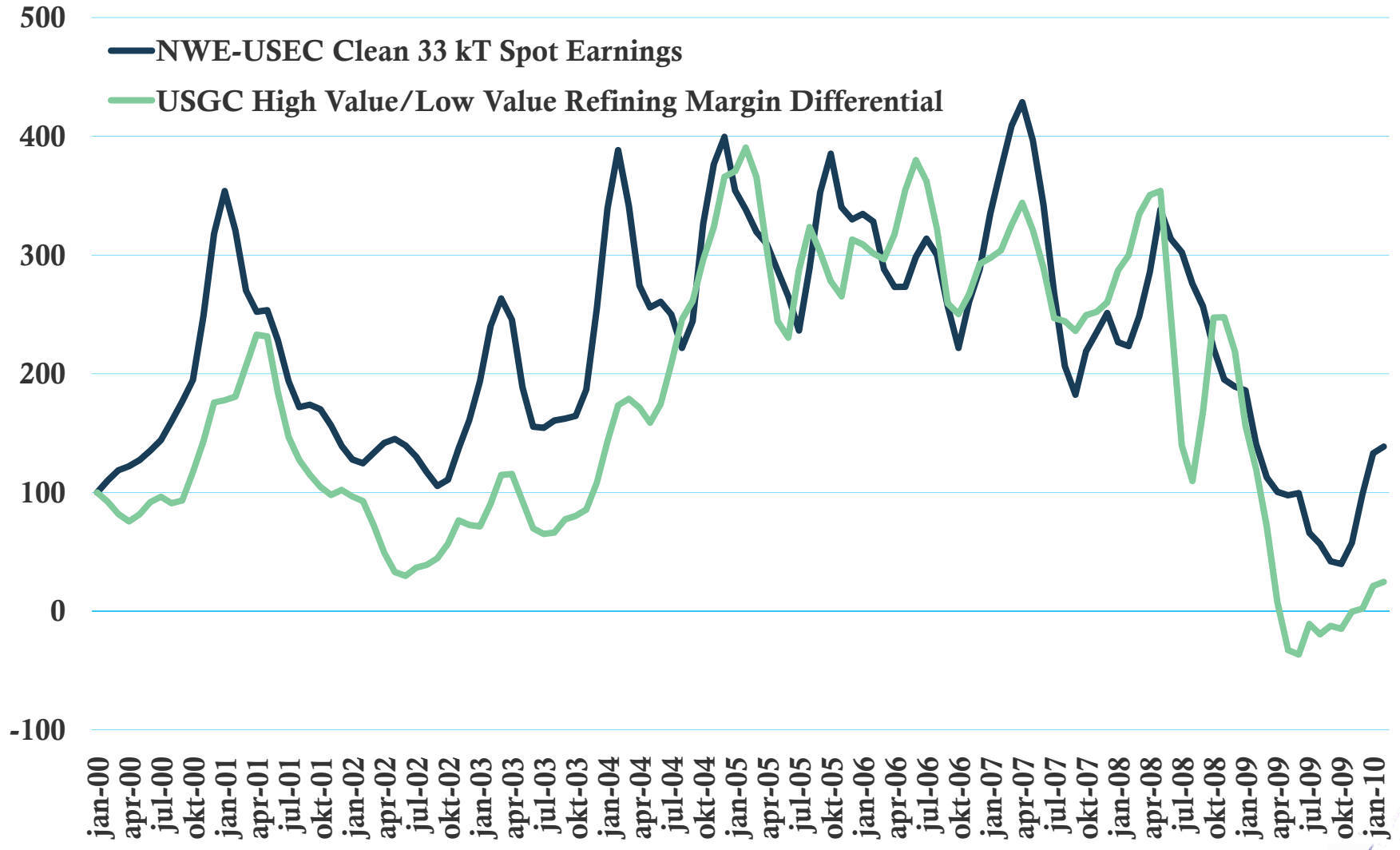
4. Can We Do This For Products?

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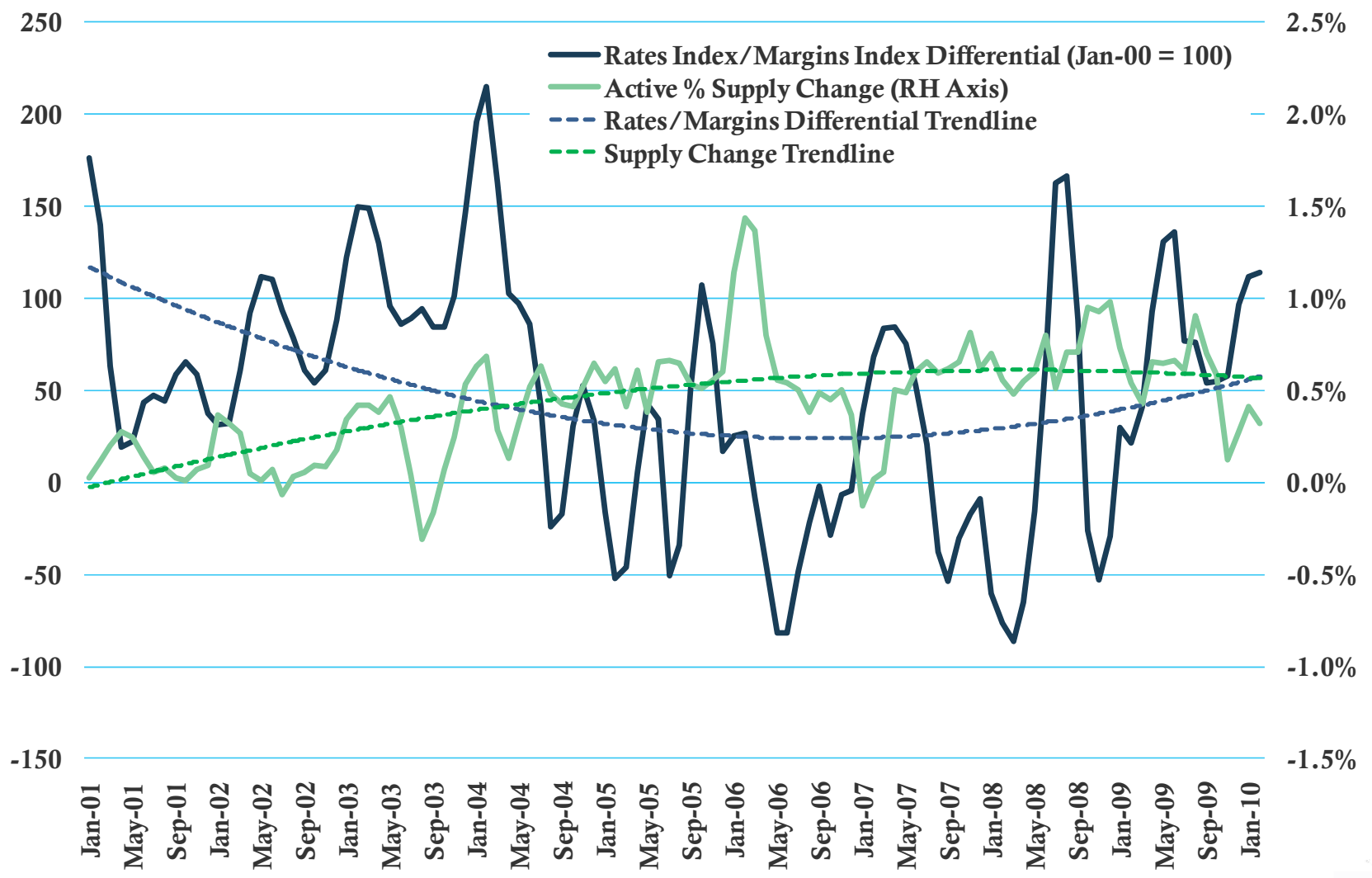
MSI 4. US Gulf Coast

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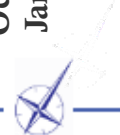
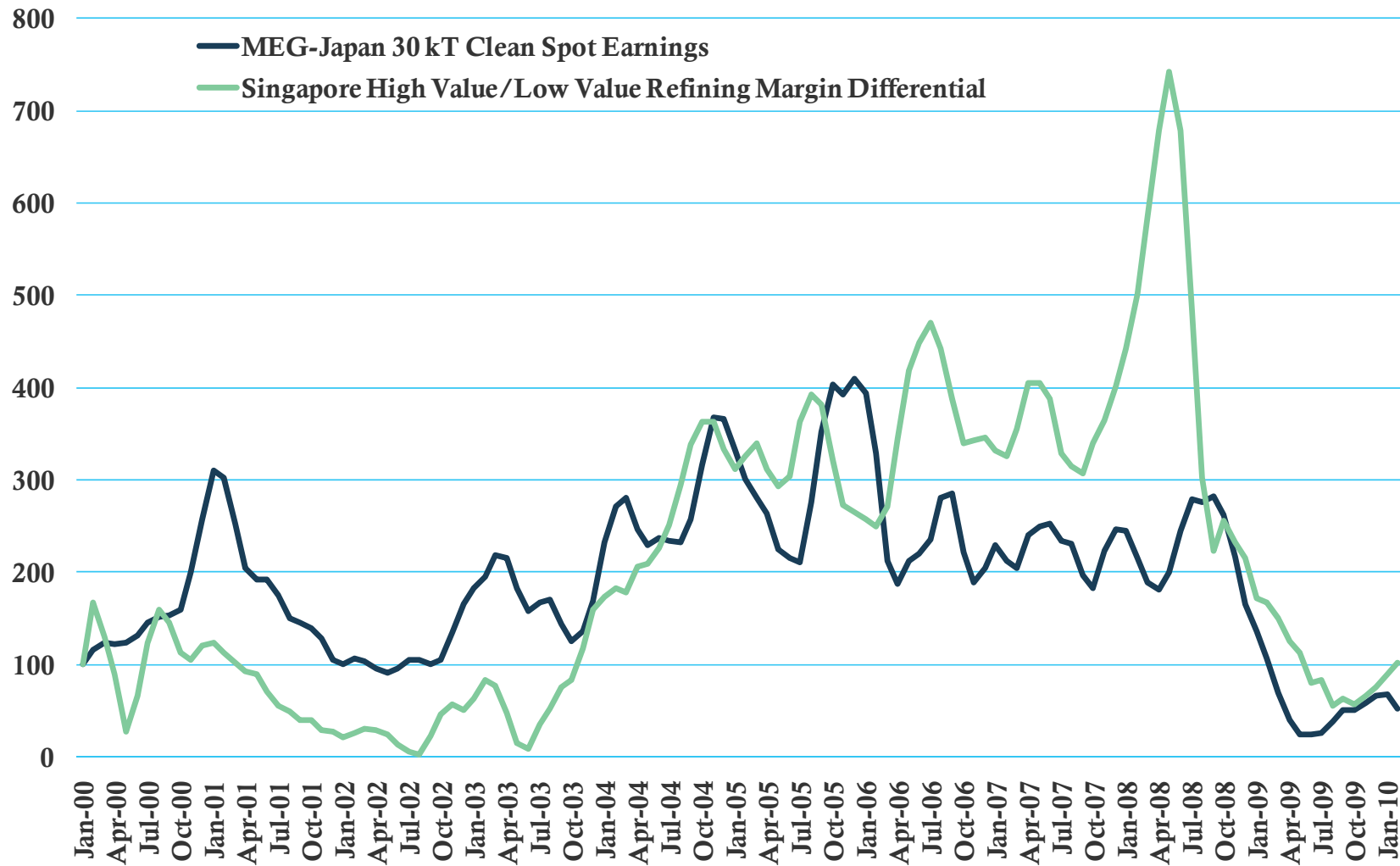
MSI 4. Introducing Supply

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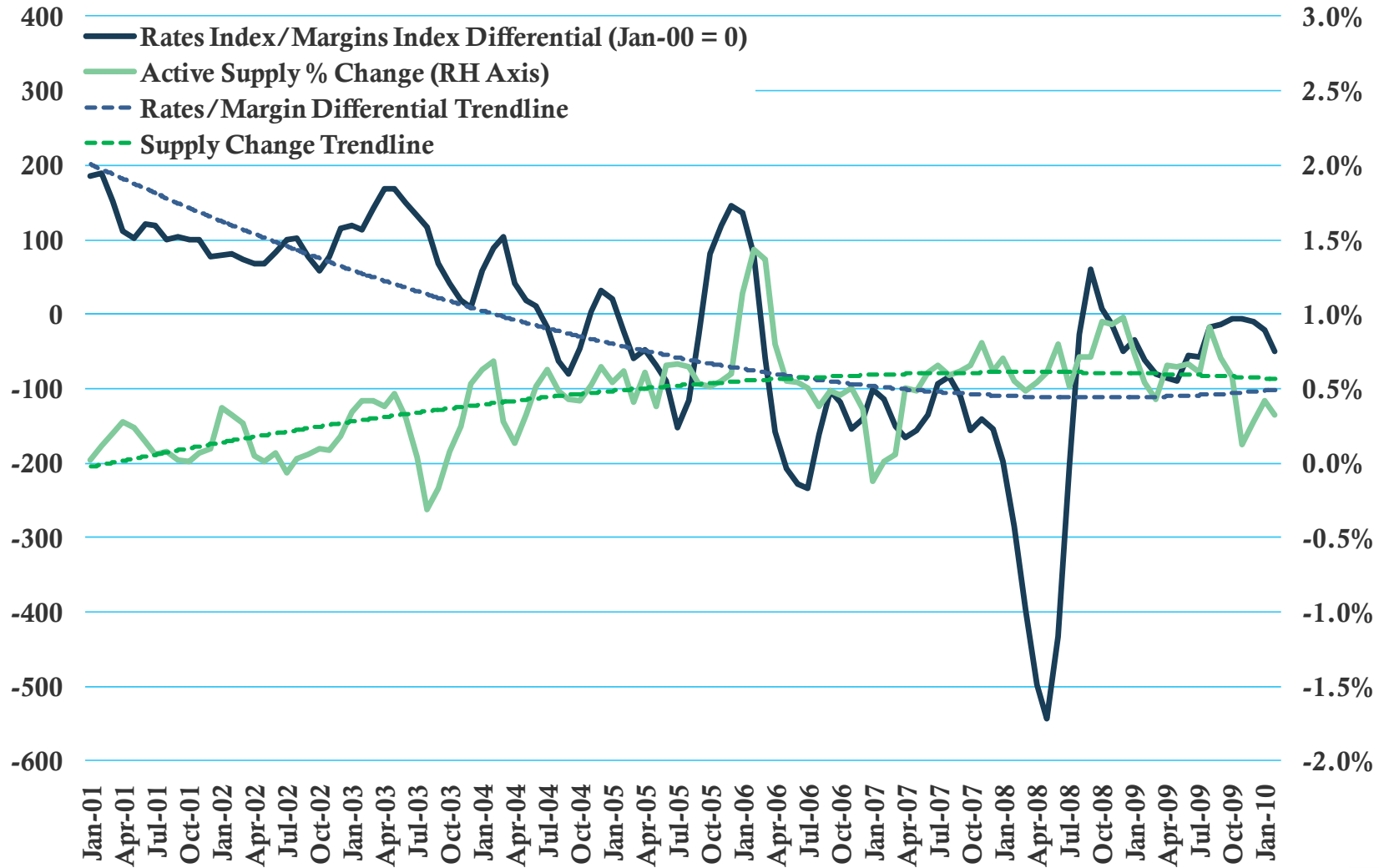
MSI 4. Singapore

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MSI 4. Introducing Supply

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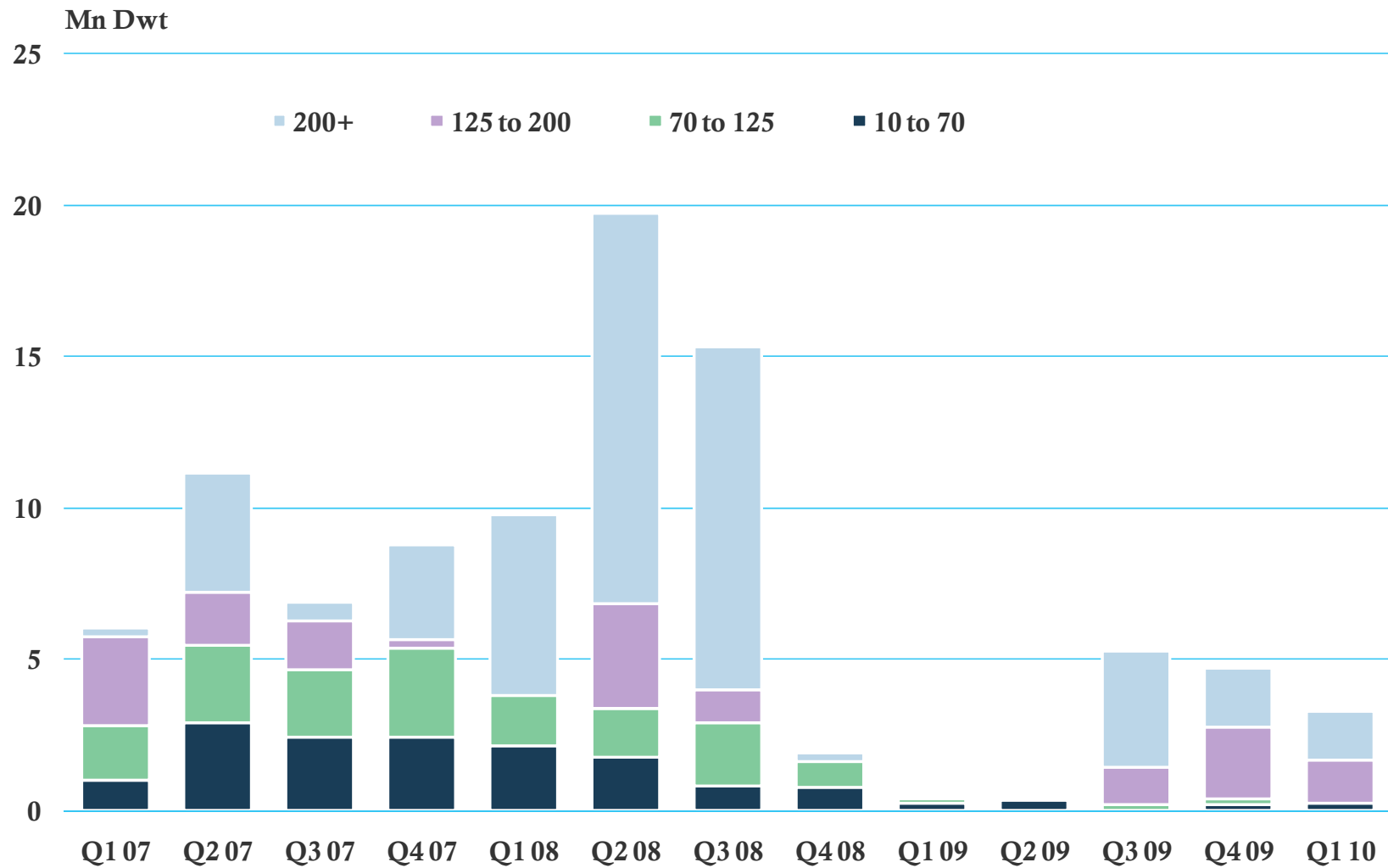
5. Forgotten Fleet

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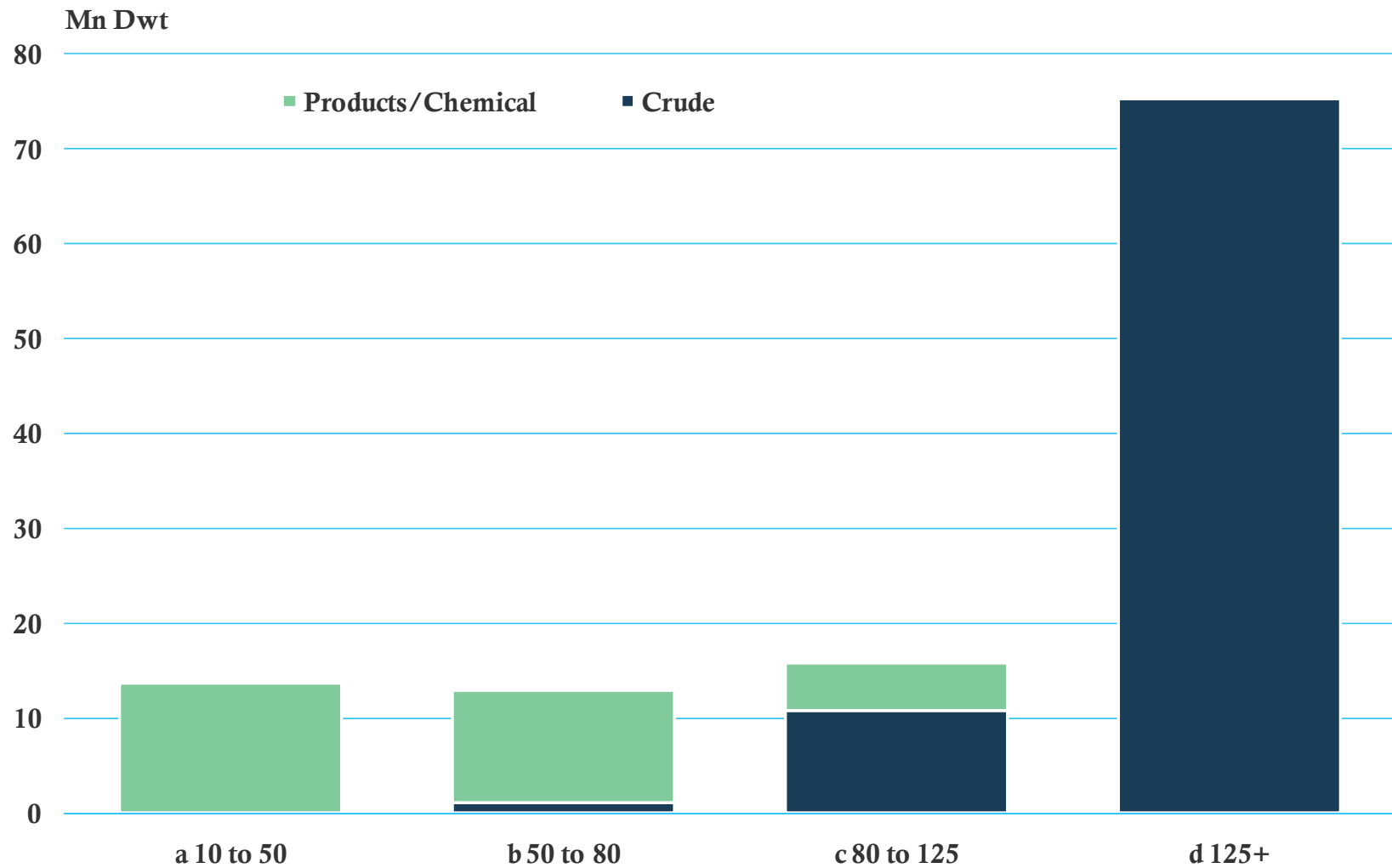
MSI 5. Quarterly Tanker Contracting

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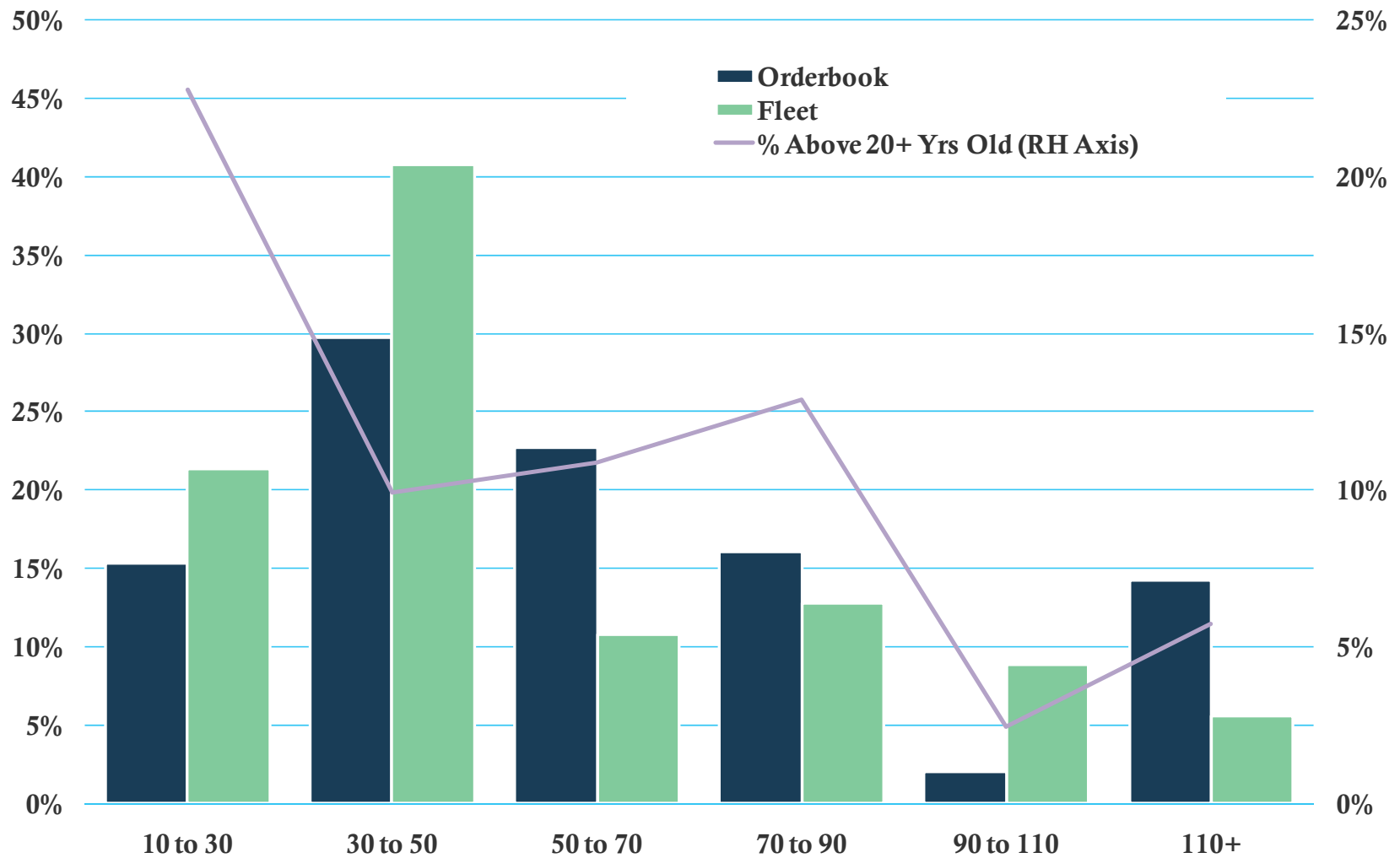
MSI 5. Orderbook

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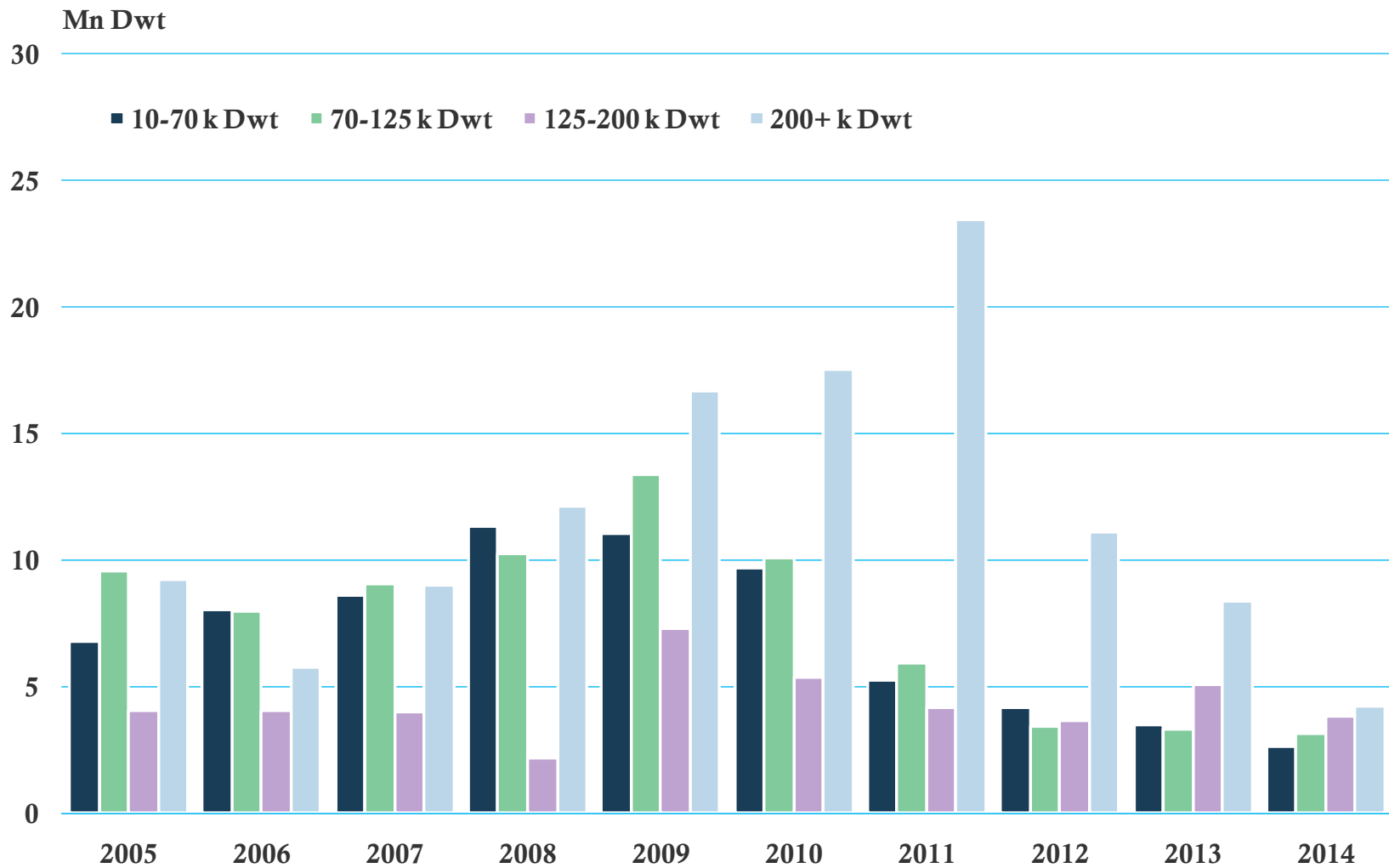
MSI 5. Product Tanker Orderbook

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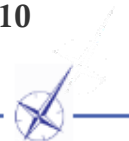
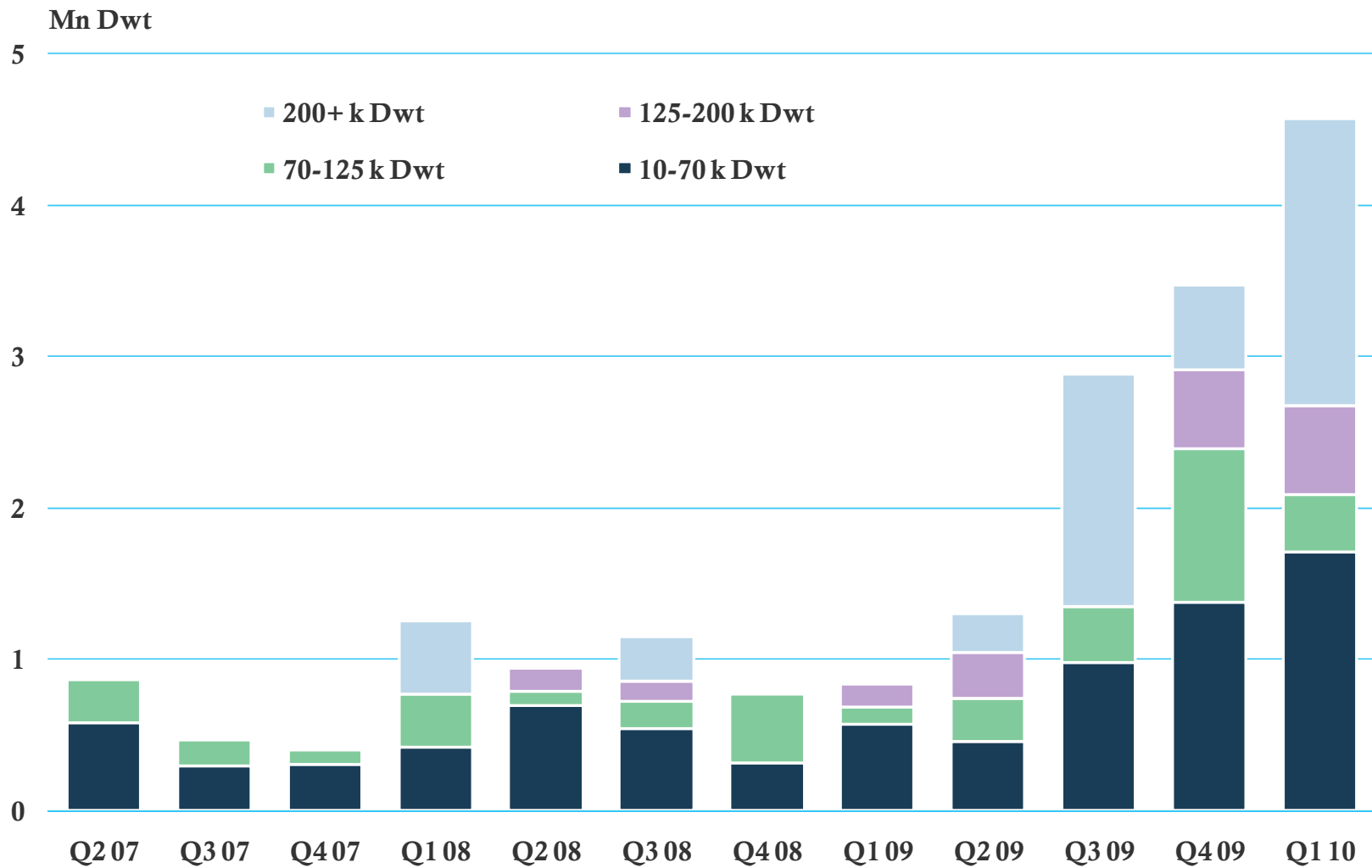
MSI 5. Delivery Forecast

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MSI 5. Quarterly Scrapping

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MSI 5. Available Fleet Growth

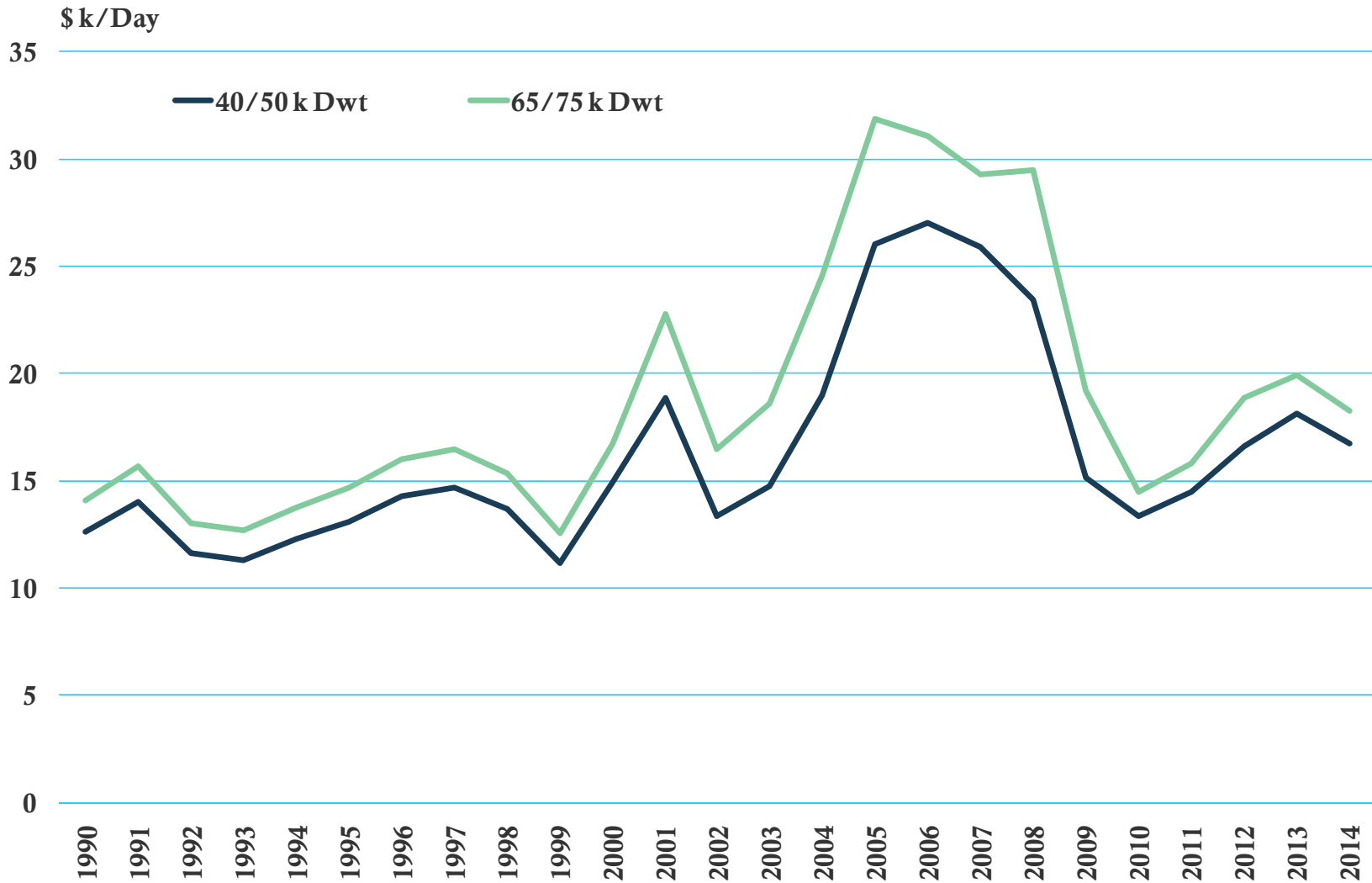
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Timecharter Rate Forecast

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The End

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